

STATEWIDE EMAIL Assumptions and Risk

Customer Adoption Assumption:

Volume is the determining factor to establish the rate.

	Low	Best Estimate	High
Estimated Customer Volume @ 34 th Month	36,000	52,000	68,000
Corresponding Monthly Total Cost per Mailbox	\$7.08	\$5.48	\$4.76

Our planning rate of approximately \$6/basic mailbox corresponds to the range of 44,000 volume at the 34th month based on the current base mailbox analysis. Outstanding issues that will be resolved between now and the official rate setting in December:

- ✓ The Customer Adoption Assumption will be revised through additional customer research to improve the quality of this estimate.
 - ✓ Finalization of service delivery and cost components.
 - ✓ Additional customer research will be done to determine if the secure email service will be an add-on feature, or one that will be included in the base rate. Secure email is anticipated to represent a per mailbox cost of an additional \$.75 to \$1.25.
- Rate includes Hardware, Software, Certificates, Security, Staff Support, Help Desk Support, and Administrative overhead. (Customer migration and storage is not included in rate). Storage costs are estimated as:
 - 50MG of Storage, add \$1.33/mailbox
 - 100MG of storage, add \$2.66/mailbox
 - It is expected that there may be a great deal of variability in customer migration costs due to factors such as size, geography, expertise of customer staff, willingness of customer staff to participate, complexity of migration, and the source email environment (Exchange, Groupwise, Lotus Notes, etc.).

Comparisons

- Gartner Group industry average costs (as of June 30, 2006):
 - Private sector Mailbox Costs: \$10/user/month.
 - Email Hosting services: \$12-\$14.
 - Even at our lowest volume, our rate would be less than \$10
 - (\$7.08/basic mailbox + \$2.66 (100MG) = \$9.74).
 - We are at or below the industry average now.
- IBM Contract for Statewide Email for Texas Department of Information Resources
 - Lotus Notes or Microsoft Outlook (25 MB Storage) = \$5.52 (65,000 volume)
 - Our rate \$5.62 (\$4.95/basic mailbox + \$0.67 (25MG)) – we would be \$0.10 more.

Risks

- Volume is the most difficult part of the rate equation for a new service.
- Customer Adoption is the #1 financial risk for most centralized IT services:
 - Build it, no one comes = waste of state resources
 - Build it, price it based on unreasonable volume assumptions = unhappy customers when rate get adjusted up later (if we ever do it)
- External stakeholder expectations of quality and integrity of the DTS rate setting process requires due diligence in estimating this variable. Sets-up expectations that DTS staff must be prepared to deliver the volume anticipated.

“Planning Rate” allows:

- DTS more time to evaluate storage and migration cost issues and evaluate their impact on the marketability of the service.
- DTS more time to evaluate customer demand and organizational capacity in order to establish a justifiable customer adoption assumption